

**BEFORE THE DEPARTMENT OF COMMERCE AND INSURANCE
FOR THE STATE OF TENNESSEE**

IN THE MATTER OF:

PRE-PAID LEGAL SERVICES OF TENNESSEE, INC.

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No.: 04-015

**ORDER ADOPTING EXAMINATION REPORT AS FILED
WITH MODIFICATION AND DIRECTIVES**

Pursuant to Tenn. Code Ann. §§ 56-43-113 and 56-1-401, *et seq.*, the Insurance Division of the State of Tennessee Department of Commerce and Insurance (hereinafter referred to as the "Division") has examined the affairs of Pre-Paid Legal Services of Tennessee, Inc (hereinafter also referred to as the "Company"), a legal insurance company domiciled in the State of Tennessee. As a result of an examination conducted as of the 31st day of December, 2001, the examiner-in-charge filed with the Division, on the 13th day of January, 2004, a verified, written report of examination, and a copy of that report has been sent to Pre-Paid Legal Services of Tennessee, Inc. (The Report on Examination of Pre-Paid Legal Services of Tennessee, Inc., is attached hereto and marked as Exhibit A). The Division received written rebuttal to said examination report from the company on February 19, 2004. (A true and exact copy of the company's written rebuttal is attached hereto and marked as Exhibit B).

Pursuant to Tenn. Code Ann. § 56-1-411, said examination report regarding the affairs of Pre-Paid Legal Services of Tennessee, Inc., filed with the Insurance Division of the State of Tennessee Department of Commerce and Insurance on the 13th day of January, 2004, is hereby **ADOPTED** as filed, with the following **MODIFICATION** and **DIRECTIVES** to the Company.

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Dept. Of Commerce & Insurance
Company Examinations

The Report on Examination is hereby **MODIFIED** by deleting in its entirety the section titled "Treatment of Policyholders" as found on pages eleven (11) through twelve (12) of the Report on Examination.

Pre-Paid Legal Services of Tennessee, Inc. is hereby **DIRECTED** to accomplish the following:

1. The Company is **DIRECTED** to comply with Tenn. Code Ann. § 56-43-107(a) by submitting any management agreement to the Division prior to its entry by the Company. The Company is further **DIRECTED** to file all such agreements with the Division that have not been previously filed or received approval.
2. The Company is **DIRECTED** to comply with Tenn. Comp. R. & Regs. R. 0780-1-46 (2003), by maintaining a custodial agreement that complies with said rule, should the Company choose an authorized method of holding its securities that requires such an agreement.
3. The Company is **DIRECTED** to comply with Tenn. Code Ann. § 56-1-501(g) by preparing its financial statements in accordance with the National Association of Insurance Commissioners' Accounting Practices and Procedures Manual, including, but not limited to, SSAP No. 26, paragraph 4, as to recording bond purchases, and SSAP No. 10, or Issue Paper No. 83, paragraph 9 as to calculating its deferred tax asset.

The company shall comply with the directions contained in this order within thirty (30) days of its entry.

The adoption of this examination report shall not preclude the Department from imposing sanctions against Pre-Paid Legal Services of Tennessee, Inc. for potential violations of the Tennessee Legal Insurance Act, Tenn. Code Ann. §§ 56-43-101, *et seq.*, which may be revealed in the examination report, it being the intent of this Order Adopting Examination Report with Modification and Directives merely to adopt the examination report filed by the examiner-in-charge with the modification and directives herein contained.

It is so **ORDERED**.

ENTERED this the 19th day of March, 2004.

Paula A. Flowers

Paula A. Flowers, Commissioner
Department of Commerce and Insurance
State of Tennessee

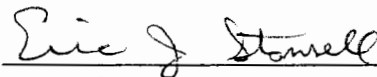
PREPARED FOR ENTRY:

Eric J. Stansell

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CERTIFICATE OF SERVICE

The undersigned hereby certifies that a true and correct copy of the foregoing Order Adopting Examination Report as Filed has been messenger mailed to Larry C. Knight, Jr., Assistant Commissioner for Insurance, Department of Commerce and Insurance, and Don Spann, Chief Examiner, Department of Commerce and Insurance, and mailed, first class, postage prepaid, to Pre-Paid Legal Services of Tennessee, Inc., at the mailing address of 321 East Main Street, Ada, Oklahoma 74820, and Robins H. Ledyard, Esq., at the mailing address of 315 Deaderick Street, AmSouth Center, Suite 2700, Nashville, Tennessee 37238-3001; on this the 19 day of March, 2004.



Eric J. Stansell

Certifying Attorney